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January 15, 2002

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 Seventeenth Street, N. W.
Washington, D. C. 20508

RE: REBUTTAL COMMENTS ON SECTION 203 REMEDY FOR STEEL

Dear Ms. Blue:

The following submission is made on behalf of the 275 North American members of the Steel Service Center Institute (SSCI). We are grateful for this opportunity to comment further on the views presented to the Trade Policy Staff Committee (TPSC) over the past two weeks.

SSCI continues to believe that only a carefully balanced program of relief can advance the national interest. No part of the steel sector should be sacrificed for another. We understand some of the reservations expressed by the TPSC and other parties to our proposed tariff relief. In the hope of finding more common ground, we offer the following comments on the relief package, international negotiations, and current market conditions.

Import Relief Options

First, we ask the TPSC not to be misled by the comments filed by the Steel Manufacturers Association on 7 January. We do not propose a tariff of 20 percent on all steel mill products. We proposed a variable tariff of between 0 and 20 percent with appropriate upper and lower price breaks for each product. Nor did we propose that the "maximum tariff rate" be applied to imports of steel-containing goods. On the contrary, we propose to offset the increase in the steel cost of downstream items by means of a corresponding tariff. Equivalence is sought in the steel costs, not the tariff rates.

Second, we remain convinced that the President has ample legal authority to proclaim the relief we propose for covered and uncovered steel mill products as well as for critical downstream products. That such authority may not have been used in two decades, as was stated at the TPSC meeting on January 10, is an unconvincing objection. Indeed, we believe that when the President last utilized his authority under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), the result was an

international agreement within less than one month¹. If the objective is worth pursuing, recourse to such authority is perfectly justifiable. Indeed, failure to use all available authority is hard to explain if the need is critical and the circumstances urgent. We believe that is the case today in the steel sector.

Third, if in the end the President decides against using the authority he has, the “product shifting” problem will remain. Whenever certain imports are restrained, the trade naturally flows to uncovered products. That would be a seriously flawed outcome for a Section 201 case that was intended to settle the steel problem for a matter of years. Resolution of the last import surge would, in effect, plant the seeds for the next one. We therefore propose, at a minimum, the following steps with respect to all steel mill products not covered by the relief proclaimed in this case:

- Require import licenses to be issued automatically and at a nominal cost, if possible on-line. Statistics with respect to license issuance should be made available on-line on a weekly basis. We have lived with such a system in Canada for many years, and it provides an excellent model for the system we have in mind.
- Establish within the Department of Commerce a task force to implement Section 732(b) of the antidumping law. Under this seldom used provision, the Department is authorized to conduct special monitoring of imports from targeted countries on any product on which at least two orders are in effect.² If during the 12-month period of monitoring, evidence of injurious dumping is developed, the Department may self-initiate a formal investigation.
- Set up a Steel Market Advisory Committee to provide private sector advice to USTR and the Department of Commerce about changes in the steel market, including developments in steel-consuming industries. Such consultations would be most effective if they include commercial experts from the full range of parties affected by steel trade and if they are held on a regular basis.

The combined effect of these steps would be to detect and deter import surges before they can cause serious injury to our steel market. They would discourage product shifting, help stabilize the market, and provide the “time-out” mills need for serious restructuring.

International Negotiations

We are dismayed that there seem to be such low expectations regarding international negotiations. To our mind – and we believe virtually every steel sector group would agree – subsidies have been and continue to be the primary source of the global maladjustment in steel. Subsidies distort decisions on investment and disinvestment and damage fair competition. Their elimination is a necessary step toward a normal adjustment process in the steel sector and should be a prime objective of our steel policy.

As we stated in our earlier submission, elimination of uneconomic capacity is a temporary accomplishment unless it is backed up with much stricter subsidy disciplines. For that reason, we believe that a vital element in the Comprehensive Agreement on Steel Trade and Restructuring (CASTR) would

¹ On December 31, 1982, the President declared an international state of emergency with respect to imports of pipe and tube from what was then the 12-member European Communities. By proclamation, the President ordered an immediate halt to all imports of those products. The object was to force the EC to negotiate terms for inclusion of pipe and tube in the voluntary restraint agreement then in effect. Negotiations resumed in January and agreement was reached quickly.

² This would include hot-rolled sheet, corrosion-resistant sheet, grain oriented electrical steel, cut-to-length plate, beams, wire rod, rebar, stainless plate, stainless rod, stainless bar, oil country tubular goods, and a variety of stainless and carbon pipe, tube and fittings. The pending cases on cold rolled are likely to make that product eligible as well.

be agreement on the ways in which a government might legitimately intervene to facilitate needed adjustment without fear of challenge in the World Trade Organization or national countervailing duty laws.

Market Conditions

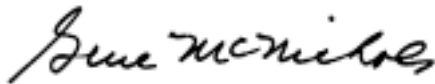
As we testified, U.S. market conditions are changing rapidly. Order books are full for many producers³ through the end of this quarter. Prices of flat-rolled products are recovering. The depressive effects of Enron's aggressive market-entry strategy have been removed from the mid-west market.⁴ Obviously, much depends on the speed and strength of the overall economic recovery. Our members are beginning to express cautious optimism for the next three to six months. (See Attachment 4 for a copy of the latest Business Conditions I survey, dated January 11, 2002.)

It is the nature of pricing to fluctuate with changes in supply and demand. Thus, there is no guarantee that the current increases will hold for any length of time. There is, however, no denying that desperately needed price relief is now being felt by flat-rolled producers, at least.

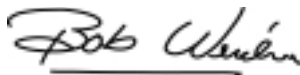
At the same time, these price increases are threatening to many downstream consumers of steel. For the thousands of producers of auto parts and other U.S.-made components, the price of steel is an integral cost of manufacturing. They are simply not in a position to absorb substantial increases in their material costs. For us, this underscores the essential truth that artificial increases in prices, such as those imposed by tariff relief, can create severe dislocations downstream, driving away customers and in the medium term and beyond damaging the very mills the government is seeking to help. Any solution that does not deal effectively and equitably with this reality should be rejected.

Thank you for this opportunity to comment further on these vital issues.

Respectfully submitted,



Eugene H. McNichols, Chairman
SSCI Board of Directors



M. Robert Weidner, III
President & CEO, SSCI

³ See Attachment 1, a letter from Nucor to its customers dated January 7 and Attachment 2, memorandum from the managing partner of The Techs, dated January 14. In addition, we believe that Steel Dynamics, US Steel, Ispat Inland and AK Steel are in the same position.

⁴ See Attachment 3, an offer sheet from Enron's Chicago depot, dated November 21, 2001. It offered prime hot rolled coil for less than \$200 per ton, delivered. The collapse of Enron and closure of its new Chicago depot have allowed prices to respond normally to stronger market conditions.

NUCOR

Berkeley Division of NUCOR Corporation
An ISO-9002 Certified Company

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January 7, 2002

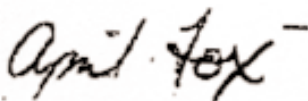
Dear Customer:

Happy New Year!

The increase in incoming orders has continued through December and into 2002, resulting in Nucor Berkeley now being full for the first quarter on all products except hot rolled bands. As always, when the market turns, we all are amazed at the speed that such a dramatic change can take place.

Berkeley has not yet opened the order book for second quarter requirements, and we do not anticipate doing so prior to February. We fully expect to honor our long-term price agreements with the tonnages that have been committed, and will also accept spot business as space permits. However, we do not feel it would be wise for us to hold your unentered orders prior to our opening the books, and, therefore, are returning the orders which follow this letter. We will advise at a later date of our opening April and later for production, and will ask that you resubmit your requirements at that time. Thank you for your understanding in this matter.

Sincerely,



April Fox



Memorandum

To: Sales Team

From: Joel T. Mazur – Managing Partner, The Techs

Subject: Price Increase Effective with Shipments March 31st, 2002 (April)

Date: January 14th, 2002

In keeping with the continued trend in bookings and the supply and demand balances in the market, The Techs are reducing discounts another \$20/nt effective with shipments March 31st (April), 2002. This increase in transactional prices marks a cumulative effect of \$60/nt when combined with the previously announced increases for February and March. This increase is effective for April shipments and does not preclude further increases for the balance of the quarter. Market conditions will dictate as to whether or not additional increases in the quarter are warranted.

The Techs' booking rates have been the highest in its history, with three of the past five weeks setting new records for incoming orders. We will continue to respond to market pressures, which during this market climate support continued restoration of prices for galvanized steel.

Please advise all of our valued customers that we are working hard to source and protect normal monthly ordering patterns.

Cordially,

Joel T. Mazur

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TOLL FREE 877 664 4258
www.thetechs.com



ENRON SPOT HRC/CRC PRICES FOR CHICAGO Effective November 20, 2001

TELEPHONE: 866 327-3333

Hot Rolled Coils

We carry commercial-quality grade HRC in accordance with ASTM A 1011 Grade B ordered to an AISI C 1008 chemistry. This grade is available in a gauge range of 14 to 7 in standard widths of 48 and 60 inches. In addition, we carry heavier thicknesses for structural applications conforming to ASTM A 635 for conversion to A 36 plate. These items are available in 3/16 through 1/2 inch and in widths of 48 and 60 inches.

We own and offer for guaranteed delivery within 48 hours, the following Class One Prime Hot Rolled Coils (black, dry, banded, max. 1,100 PIW, from first tier mills) located in Chicago:

Thickness/ Gauge	Width	Quality	Delivered Price Per Net Ton
1/2"	48"	ASTM A 570/ A 635 for A 36	\$208
1/2"	60"	ASTM A 570/ A 635 for A 36	208
3/8"	48"	ASTM A 570/ A 635 for A 36	240
3/8"	60"	ASTM A 570/ A 635 for A 36	240
1/4"	48"	ASTM A 570/ A 635 for A 36	208
1/4"	60"	ASTM A 570/ A 635 for A 36	203
3/16"	48"	ASTM A 570/ A 635 for A 36	203
3/16"	60"	ASTM A 570/ A 635 for A 36	225
7	48"	ASTM A 1011/(A 569) AISI C 1008	198
7	60"	ASTM A 1011/(A 569) AISI C 1008	198
10	48"	ASTM A 1011/(A 569) AISI C 1008	203
10	60"	ASTM A 1011/(A 569) AISI C 1008	203
11	48"	ASTM A 1011/(A 569) AISI C 1008	203
11	60"	ASTM A 1011/(A 569) AISI C 1008	208
12	48"	ASTM A 1011/(A 569) AISI C 1008	208
12	60"	ASTM A 1011/(A 569) AISI C 1008	203
14	48"	ASTM A 1011/(A 569) AISI C 1008	233
14	60"	ASTM A 1011/(A 569) AISI C 1008	233

Terms:

- Net 30 days after release.
- Minimum Order – 80 net tons.
- Prices are for delivery within 50 miles of Reserve Marine Terminal (Chicago warehouse). Beyond 50 miles, additional freight charges apply.
- All orders subject to availability and credit approval.

TOLL FREE TELEPHONE: 866 327-3333 (Monday – Friday, 8:00 am – 5:00 pm CST)

Prices may change daily. For the most current pricing, go to www.enronsteel.com and visit the Chicago Steel Depot link.



ENRON SPOT HRC/CRC PRICES FOR CHICAGO Effective November 20, 2001

TELEPHONE: 866 327-3333

Cold Rolled Coils

For CRC, we offer ASTM A 1008 commercial quality with a chemistry to AISI C 1006/1008 with regular matte finish in a gauge range of 22 to 14 in 36 and 48-inch widths.

We own and offer for guaranteed delivery within 48 hours, the following Class One Prime Cold Rolled Coils (regular matte finish, pickled, oiled, banded, wrapped, max. 28,000 lbs., from first tier mills) located in Chicago:

Gauge	Width	Quality	Delivered Price Per Net Ton
14	48"	ASTM A 1008 AISI C 1006/1008	\$294
16	36"	ASTM A 1008 AISI C 1006/1008	294
16	48"	ASTM A 1008 AISI C 1006/1008	294
18	36"	ASTM A 1008 AISI C 1006/1008	315
18	48"	ASTM A 1008 AISI C 1006/1008	294
20	36"	ASTM A 1008 AISI C 1006/1008	294
20	48"	ASTM A 1008 AISI C 1006/1008	315
22	48"	ASTM A 1008 AISI C 1006/1008	300

Terms:

- Net 30 days after release.
- Minimum Order – 80 net tons.
- Prices are for delivery within 50 miles of Reserve Marine Terminal (Chicago warehouse). Beyond 50 miles, additional freight charges apply.
- All orders subject to availability and credit approval.

TOLL FREE TELEPHONE: 866 327-3333 (Monday – Friday, 8:00 am – 5:00 pm CST)

Prices may change daily. For the most current pricing, go to www.enronsteel.com and visit the Chicago Steel Depot link.

business conditions

A monthly report prepared by the Steel Service Center Institute



PART I - NORTH AMERICA

January 11, 2002

Distribution: _____

The figures in this survey show percentages of replies from a representative sample of member companies. This sample was selected to include all sizes of companies, sections of the country, and types of products. Respondents express their views as of the first of each month. In several cases, service center headquarters provide one report for the company, and do not generally send multiple branch (regional) reports. In these cases, the responses are included in the region of the headquarters only.

A. Business Conditions - General

1. The trend of general economic activity for the next 3 months is expected to be:

2001												
J	F	M	A	M	J	J	A	S	O	N	D	
Up	17	18	10	19	14	17	10	9	14	2	3	13
Same	42	49	57	46	58	45	54	70	66	42	37	49
Down	41	33	33	35	28	38	36	21	20	56	60	38

2002												
J	F	M	A	M	J	J	A	S	O	N	D	
31												
55												
14												

B. Business - Your Own

1. Compared with last month, current average daily shipping levels are:

2001												
J	F	M	A	M	J	J	A	S	O	N	D	
Above	7	48	8	17	15	16	10	6	21	16	12	7
Same	26	33	50	53	41	45	50	43	51	38	48	44
Below	67	19	42	30	44	39	40	51	28	46	40	49

2002												
J	F	M	A	M	J	J	A	S	O	N	D	
8												
32												
60												

2. What do you expect the trend to be in your incoming orders in the next 3 months?

2001												
J	F	M	A	M	J	J	A	S	O	N	D	
Increase	43	27	15	22	23	17	17	24	26	6	4	17
No Change	30	51	61	48	47	46	47	58	58	42	42	49
Decrease	27	22	24	30	30	37	36	18	16	52	54	34

2002												
J	F	M	A	M	J	J	A	S	O	N	D	
37												
51												
12												

3. Compared with 3 months ago, current gross margin (%) is:

2001												
J	F	M	A	M	J	J	A	S	O	N	D	
Greater	13	16	18	17	18	21	17	15	22	10	13	9
Same	40	36	36	43	43	45	49	56	54	62	48	51
Lower	47	48	46	40	39	34	34	29	24	28	39	40

2002												
J	F	M	A	M	J	J	A	S	O	N	D	
14												
58												
28												

More Promptly
Same Rate
Less Promptly

[illegible]

1. Compared with 3 months ago, current inventory tonnage levels are:

[illegible]

Less than 2 mos
.0 to 2.49 months
.5 to 2.99 months
.0 to 3.49 months
.5 to 3.99 months
.0 to 4.49 months
.5 to 4.99 months
5 months or longer

[illegible]

Lower
Same
Greater

[illegible]

Over 5% above
2 to 5% above
Less than 2% inc
Less than 2% dec
2 to 5% below
Over 5% below

[illegible]

- Continued

4. For what reasons, if any, did your company decide to place purchase orders for steel this month with foreign mills or traders? (Check all that apply.)

[illegible]